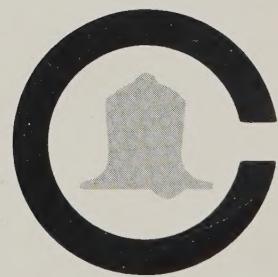


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Captain International Industries Ltd.



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1971 ANNUAL REPORT

# C Captain International Industries Ltd.

## OFFICERS AND DIRECTORS

Ir. R. Van Dijk	<i>Chairman of the Board &amp; Director</i>
G. Arnold Armstrong	<i>President, Chief Executive Officer &amp; Director</i>
Alexander H. Lenec	<i>Director</i>
Harold Genser	<i>Director</i>
Laurence R. Stinson	<i>Secretary &amp; Director</i>
Basil W.S. Irwin	<i>Director</i>
W. Ch. J.M. van Lanschot	<i>Director</i>
John J. Offner	<i>Vice President, Finance &amp; Treasurer</i>

## HEAD OFFICE

1200 - 505 Burrard Street  
Vancouver 1, B.C., Canada.  
Telephone: (604) 682-6861

## REGISTERED OFFICE

1250 One Bentall Centre, 505 Burrard Street  
Vancouver 1, B.C., Canada.

## TRANSFER AGENTS AND REGISTRARS

Guaranty Trust Company of Canada  
540 Burrard Street, Vancouver, B.C., Canada

Registrar and Transfer Company  
15 Exchange Place, Jersey City, N.J., U.S.A.

## LISTED EXCHANGES

Vancouver Stock Exchange  
Vancouver, B.C., Canada

National Stock Exchange  
New York, New York, U.S.A.

## CAPTAIN INTERNATIONAL INDUSTRIES INC.

(a wholly owned subsidiary of  
*Captain International Industries Ltd.*)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>President and Director</i>
Alexander H. Lenec	<i>Director</i>
Rex Yannarell	<i>Vice President, Marketing &amp; Director</i>
John J. Offner	<i>Vice President, Finance, Treasurer &amp; Director</i>

## HEAD OFFICE AND MANUFACTURING PLANT

Commerce Drive, Montgomeryville, Pennsylvania, 18936 U.S.A.  
Telephone: (215) 643-2660

275 Commerce Drive  
Fort Washington, Pennsylvania  
19034, U.S.A.  
Telephone: (215) 643-7565

## REGISTERED OFFICE

1418 Packard Building, Philadelphia, Pennsylvania, 19102, U.S.A.

## CAPTAIN INTERNATIONAL INDUSTRIES (U.K.) LTD.

(a wholly owned subsidiary of  
*Captain International Industries Ltd.*)

## OFFICERS AND DIRECTORS

G. Arnold Armstrong	<i>Chairman of the Board</i>
Colin J. Harris	<i>Managing Director</i>
Basil W.S. Irwin	<i>Director</i>

## HEAD OFFICE

Broadbent House  
64 - 65 Grosvenor Street  
London, W.1., England.  
Telephone: 01-493-5285

## CAPTAIN HOTEL SYSTEMS N.V.

(a wholly owned subsidiary of  
*Captain International Industries Ltd.*)

## OFFICERS AND DIRECTORS

Ir. R. Van Dijk	<i>Chairman of the Board</i>
G. Arnold Armstrong	<i>Director</i>
W. Ch. J.M. van Lanschot	<i>Director</i>
Basil W.S. Irwin	<i>Director</i>
Nathan M. Frankel	<i>Managing Director</i>

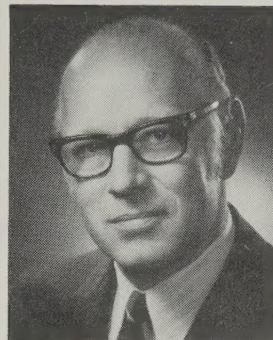
## HEAD OFFICE

Kostverlorenhof 2 - 9th Floor  
Amstelveen, Netherlands  
Telephone: 020-456651

# (and its subsidiaries)



ROEL VAN DIJK, *Board Chairman*



G. ARNOLD ARMSTRONG, *President*

## REPORT TO SHAREHOLDERS

Over the past year our efforts and the efforts of our Vice President, Marketing, Mr. Rex M. Yannarell, have been primarily directed towards consolidating our marketing network and establishing new agents and distributors. To this end we completed the purchase of the outstanding 50 per cent interest in Captain Hotel Systems N.V., our European Distributor, restructured our marketing facilities in Amsterdam, Netherlands, and improved the sub-contract assembly facilities for the European market. Mr. Nathan Frankel was appointed Managing Director for Europe, new offices were acquired and our sales and technical staff considerably enlarged.

In Europe an agreement appointing Armos International S.A. as agents for France, Portugal and Belgium has been concluded, and agents or distributors have been appointed for Israel, Cyprus, Greece, Germany and Spain during the year. Marketing studies have been completed respecting Africa and South America and negotiations are presently in progress to establish marketing facilities on these continents.

In September of 1971 we repurchased the distributorship for the United Kingdom and Ireland and established new offices in London, England, under the direction of Mr. Colin J. Harris, Managing Director of our new subsidiary, Captain International Industries (U.K.) Ltd. Our sales and technical staff were also enlarged in London.

In the Far East, agencies or distributorships were established to cover Hong Kong, Singapore, Taiwan and Malaysia.

In Australia, an agreement appointing Electronic Industries of Australia Pty. as our distributor for Australia, New Zealand, and Fiji was completed and Nissho-Iwai Co., Ltd. has been appointed our distributor for Japan and its Territories. It is planned to establish new offices in Singapore in the near future for the purpose of providing a proper and efficient liaison with our agents and distributors in the Far East.

By the end of 1972, we expect to have completed agency or distributorship agreements to cover substantially every major tourist or business area of the world.

Our corporate finance department has been considerably strengthened by the appointment of Mr. Jack Offner as Vice President, Finance.

The past year has also been extremely active for our Research and Development Division. In addition to continuing the development of the Hotel Facs I System, we have also developed a Rooms Management System, a Bell Captain Model 604, a new Continental Breakfast Unit, and we are currently developing a new 220 Volt Vend Unit and a miniature Bell Captain Model 605.

Our total revenues for 1971 of \$3,483,963 represent an increase of close to 83 per cent over 1970 revenues as restated. 1971 was the first year in the Company's history in which we realized a profit. Net income amounted to \$83,868 compared to a restated loss of \$256,120 in the previous year.

Our gross sales in the past five years have been as follows:

1967	\$ 48,801
1968	\$ 339,719
1969	\$ 849,029 (restated)
1970	\$1,908,749 (restated)
1971	\$3,483,963

An expanding multi-national company increasingly requires additional young and competent personnel and we have been fortunate in assembling a group of dedicated conscientious people to form the nucleus of our management team. We will be continuing to add personnel as our sales and profits increase.

The goal of our Company since its inception has been to automate the hotel industry and the growing list of hotel chains and hotels that have installed our equipment to date is indicative of the fact that we are succeeding in the realization of our ambition.

ROEL VAN DIJK, *Board Chairman*

G. ARNOLD ARMSTRONG, *President*



# Captain International Industries Ltd.

**ASSETS (Substantially Pledged, see Notes 4, 5 and 6)**

	1971	1970	(Restated) Note 1
<b>Current:</b>			
Cash	\$ 10,420	\$ 126,730	
Receivables			
Lease sale contracts receivable, including instalments not due within one year aggregating \$1,230,874 in 1971 and \$864,016 in 1970			
— Notes 1 and 5	1,554,007	1,195,852	
Accounts and notes receivable	2,061,225	537,072	
Less: Allowance for uncollectible accounts	(91,193)	(71,859)	
	<hr/>	<hr/>	<hr/>
Inventories — Note 2	3,524,039	1,661,065	
	824,640	604,441	
Prepaid expenses and deposits	10,233	4,698	
	<hr/>	<hr/>	<hr/>
	4,369,332	2,396,934	
Equipment leased to customers, at cost less accumulated depreciation of \$13,407 in 1971 and \$91,084 in 1970	23,449	204,879	
Property and equipment — at cost, less accumulated depreciation — Note 3	128,287	108,717	
<b>Other:</b>			
Patents, at cost less accumulated amortization	67,054	64,501	
Organization expenses, less accumulated amortization	14,002	12,081	
Research and development costs — Note 1	238,098	97,751	
Debenture discount and expenses	3,713	30,323	
	<hr/>	<hr/>	<hr/>
	\$ 4,843,935	\$ 2,915,186	
	<hr/>	<hr/>	<hr/>

ON BEHALF OF THE BOARD:

"G.A. ARMSTRONG"      Director

"L.R. STINSON"      Director

(and its subsidiaries)

## **LIABILITIES**

	1971	1970	(Restated) Note 1
<b>Current:</b>			
Notes payable to bank – Note 4	\$ 943,820	\$ 51,076	
Accounts payable and accrued liabilities	1,013,974	470,767	
Customer deposits	209,450	125,181	
Warranty liability	68,422	65,650	
Income taxes payable – Note 8	8,370	–	
Instalment obligations, including amounts repayable after one year of \$823,400 in 1971 and \$678,922 in 1970 – Notes 1 and 5	<u>1,089,367</u>	<u>912,984</u>	
	3,333,403	1,625,658	
Long-term debt – Note 6	200,936	500,000	
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital – Notes 1 and 7:</b>			
Common shares, without nominal or par value			
Authorized			
5,000,000 shares			
Issued and fully paid			
2,984,050 shares (2,850,625 shares in 1970)	3,606,404	3,170,204	
Deficit – Statement II	<u>(2,296,808)</u>	<u>(2,380,676)</u>	
	1,309,596	789,528	
	<u>\$ 4,843,935</u>	<u>\$ 2,915,186</u>	

The notes to the consolidated financial statements are an integral part thereof.

# Captain International Industries Ltd.

## CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
	(Restated) Note 1	
<b>Income — Note 1:</b>		
Net sales	\$ 3,318,823	\$ 1,682,923
Interest	115,371	107,099
Rental	36,367	80,989
Franchise	12,000	29,952
Other income	1,402	7,786
	<hr/>	<hr/>
	3,483,963	1,908,749
<b>Costs and expenses:</b>		
Cost of sales	2,183,143	1,149,802
Selling	400,255	246,330
Customer service and warranty	92,724	89,093
Administrative and general	445,496	435,816
Interest	230,081	105,739
Research and development — Note 1	38,220	35,387
	<hr/>	<hr/>
	3,389,919	2,062,167
<b>Operating income (loss) before income taxes and extraordinary items</b>	94,044	(153,418)
<b>Income taxes — Notes 1 and 8</b>	<hr/>	<hr/>
	166,317	83,935
<b>Loss before extraordinary items</b>	<hr/>	<hr/>
	(72,273)	(237,353)
<b>Extraordinary items — Notes 1, 8 and 9</b>	<hr/>	<hr/>
	156,141	(18,767)
<b>Net income (loss) for the year</b>	<hr/>	<hr/>
	\$ 83,868	\$ (256,120)
<b>Income (loss) per common share — Note 10:</b>		
Loss before extraordinary items	\$(.025)	\$(.083)
Extraordinary items	.054	(.007)
Net income (loss) for the year	\$ .029	\$ (.090)

The notes to the consolidated financial statements are an integral part thereof.

### AUDITORS' REPORT

The Shareholders,  
Captain International Industries Ltd.

We have examined the consolidated balance sheet of Captain International Industries Ltd. and subsidiaries as at December 31, 1971 and the consolidated statements of operations, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, except for the changes, which we approve, as referred to in Note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Vancouver, B.C.,  
March 20, 1972.

"TOUCHE ROSS & CO."  
Chartered Accountants

(and its subsidiaries)

**CONSOLIDATED STATEMENT OF DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 1971**

	1971	1970
		(Restated) Note 1
Deficit — January 1, as previously reported	\$ 2,279,239	\$ 2,073,901
— Adjustment as a result of pooling — Note 1	<u>101,437</u>	<u>50,655</u>
Deficit — January 1, as restated	2,380,676	2,124,556
Net income (loss) for the year	83,868	(256,120)
Deficit — December 31	<u>\$ 2,296,808</u>	<u>\$ 2,380,676</u>

The notes to the consolidated financial statements are an integral part thereof.

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1971**

	1971	1970
		(Restated) Note 1
Source of funds:		
Loss for the year before extraordinary items	\$ (72,273)	\$ (237,353)
Deduct: Expenses not requiring an outlay of funds		
Depreciation and amortization of property, equipment and leased equipment	38,297	81,361
Amortization of patents, organization expenses and debenture discount	33,449	6,659
Extraordinary items — Note 9	<u>156,141</u>	<u>(18,767)</u>
	155,614	(168,100)
Sale of shares	436,200	5,200
Issuance of debentures — net	123,436	484,820
Leased equipment sold or returned to inventory	168,023	118,719
Sales of fixed assets	—	6,612
Other	—	3,536
	<u>\$ 883,273</u>	<u>\$ 450,787</u>
Application of funds:		
Retirement of 9½% debentures	\$ 422,500	\$ —
Additions to		
Property and equipment	44,460	9,900
Patents	9,103	13,769
Organization expenses	2,210	—
Deferred development costs	140,347	97,751
Increase in working capital	<u>264,653</u>	<u>329,367</u>
	<u>\$ 883,273</u>	<u>\$ 450,787</u>
Working capital as at		
December 31, 1969	\$ 441,909	
December 31, 1970	\$ 771,276	
December 31, 1971 — Note 1 (c)	\$ 1,035,929	

The notes to the consolidated financial statements are an integral part thereof.

# C Captain International Industries Ltd.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1971

### Note 1 – Accounting Principles

#### a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Captain International Industries, Inc., Captain International Industries (U.K.) Ltd. and Captain Hotel Systems N.V. Inter-company profits, transactions and balances have been eliminated.

During the year the Company acquired the remaining 50% interest in Captain Hotel Systems N.V. for \$50,000 cash and by the issue of 92,500 shares in the capital stock of the Company. This acquisition has been accounted for as a pooling of interests.

During the year the Company incorporated as a wholly-owned subsidiary, Captain International Industries (U.K.) Ltd.

#### b) Accounting policies

(i) The Company has financed its equipment leasing activities under various terms and instruments. All such transactions have been accounted for as borrowings which are to be liquidated by application of funds received from equipment leases. Revenues under non-cancellable leases with purchase options are accounted for as sales in the year in which the equipment is placed in service at the present value of the payments to be received under the lease and option. Leases which are terminable by the lessor and leases which do not include bargain purchase options are accounted for under the operating method whereby income is recognized over the term life of each lease on a straight-line basis.

(ii) Research and development costs will be amortized against sales of the related products over a period not to exceed five years.

#### c) Reclassification of accounts

(i) Lease sale contracts receivable due after one year, unearned interest income and related instalment obligations repayable after one year have been classified in 1971 as current assets and liabilities to include in the current position all items expected to be used or liquidated within the current operating cycle. Reclassifications have been made in the 1970 financial statements to conform to the classifications used in 1971. The effect of these changes was to increase consolidated working capital by \$407,474 at December 31, 1971 and \$185,094 at December 31, 1970.

The accounts of the subsidiary companies have been stated in Canadian dollars at the current rates of exchange, except that property and equipment, accumulated depreciation and intangible assets have been converted at approximate historical rates of exchange. Results of operations other than depreciation and amortization have been stated at average rates of exchange in effect during the year.

As a result of the reclassification of lease sales contracts receivable, unearned interest income and related instalment obligations mentioned above these items were converted at current rate of exchange in 1971 but were converted at approximate historical rates of exchange in 1970.

(ii) The statements of operations and deficit and source and application of funds for the year ended December 31, 1970 have been restated to reflect a charge for income taxes of \$83,935 on the operating results of the Company for the year and a corresponding extraordinary item of \$83,935 for income taxes recovered as a result of using available losses carried forward.

(iii) The statements of operations and deficit and source and application of funds for the year ended December 31, 1970, the balance sheet as at December 31, 1970 and the deficit figure at January 1, 1970 have been restated to reflect the pooling of interest accounting for the acquisition of Captain Hotel Systems N.V.

### Note 2 – Inventories

Inventories are priced at the lower of cost (first-in, first-out method) and net realizable value and consist of:

	1971	1970
Finished goods	\$ 124,718	\$ 59,471
Work in progress	457,198	370,290
Raw materials	242,724	174,680
	<hr/> <u>\$ 824,640</u>	<hr/> <u>\$ 604,441</u>

### Note 3 – Property and Equipment

Depreciation expense totalled \$24,890 for 1971 (1970—\$40,660). Details of property and equipment are as follows:

	1971	1970
Machinery and equipment	\$ 80,659	\$ 76,162
Furniture and fixtures	61,373	44,438
Tooling, dies and moulds	46,386	24,246
Leasehold improvements	17,834	16,946
	<hr/> <u>206,252</u>	<hr/> <u>161,792</u>
Less: Accumulated depreciation	77,965	53,075
	<hr/> <u>\$ 128,287</u>	<hr/> <u>\$ 108,717</u>

Depreciation on equipment leased to customers amounted to \$13,407 for 1971 (1970 - \$40,701).

### Note 4 – Note Payable – Bank

Bank borrowings include \$750,000, which is due December 31, 1972 under a \$1,000,000 line of credit with interest at 3-1/2% in excess of prime rate, plus a fee of 1/2% of annual sales. The terms of this note require maintenance of specified levels of working capital and impose other restrictions. Receivables and inventories of several subsidiaries are pledged as collateral for the bank borrowings.

### Note 5 – Instalment Obligations

Lease-sale contracts receivable, equipment leased to customers and certain trade accounts receivable are pledged as collateral for instalment obligations. The instalment obligations bear interest at rates ranging from 7.5% to 13%.

At December 31, 1971 subsidiary companies were guarantors of financing arranged for distributors in the amount of \$169,250. Subsequent to December 31, 1971 one of the guarantees expired leaving a subsidiary as guarantor of \$25,100.

### Note 6 – Long-Term Debt – \$200,936

#### a) Sinking fund debentures \$77,500

The \$500,000 9-1/2% debentures issued in 1970 to mature November 30, 1975 are collateralized by a first floating charge on the assets of the Company. During the year \$422,500 was repaid. In connection with the debenture issue, there are outstanding warrants to purchase 24,000 shares at \$3.25 per share subject to possible anti-dilution adjustments. The warrants expire November 30, 1975. Under the terms of the deed of trust (a) the Company is required to establish a sinking fund and deposit with the trustee the sum of \$166,666 on November 30 in each of the years 1973 to 1975, inclusive, and (b) there are restrictions on the payment of dividends. It is the intention of the Company on or before November 30, 1973, if its financial circumstances permit, to redeem the outstanding debentures in which event the sinking fund payments would no longer be required.

#### b) Debentures – \$123,436

These debentures, issued by the U.K. subsidiary, repayable December 7, 1976, but not before, at interest 2% above the rate for 6 month Eurodollar deposits in London, are secured by a general floating charge on the U.K. subsidiary assets and a fixed charge on certain lease agreements receivable.

# (and its subsidiaries)

## Note 7 – Share Capital

During the year the Company has issued shares as follows:

	Shares	Amount
Class A warrants exercised for cash	3,425	\$ 13,700
Class C warrants exercised for cash	130,000	422,500
Shares issued during the year for cash	<u>133,425</u>	<u>436,200</u>
Shares issued at December 31, 1970		
As previously reported	2,758,125	3,168,691
Additional shares issued as result of 1971 pooling of interest with Captain Hotel Systems N.V. – Note 1 (a)	<u>92,500</u>	<u>1,513</u>
Shares issued at December 31, 1971	<u>2,850,625</u>	<u>3,170,204</u>
	<u>2,984,050</u>	<u>\$3,606,404</u>

190,850 shares are reserved for the exercise of share purchase warrants, 69,850 shares at \$4.00 per share expiring November 30, 1972, 97,000 shares at \$8.12 per share (\$8.45 per share adjusted for dilution) expiring July 8, 1973, and 24,000 shares at \$3.25 per share expiring November 30, 1975. The exercise price of the 97,000 Class B warrants is subject to adjustment for anti-dilution in certain events.

143,600 shares are reserved for options granted to employees of the Company under the following terms:

The outstanding options for 40,000 shares granted in 1967 at \$7.75 per share to the two key employees mentioned in Note 11 were exercised subsequent to December 31, 1971. These two employees also have options granted in 1970 for a total of 30,000 shares at \$2.75 per share exercisable to January 31, 1975 on a cumulative basis at the rate of 10,000 shares per year.

Other employees have options for 73,600 shares on the following terms:

Expires	Quantity	Option Price	Exercise terms
February 26, 1973	17,100	\$5.10	3,500 shares per year on a cumulative basis
July 15, 1974	5,000	5.40	1,000 shares per year on a cumulative basis
January 23, 1975	10,500	4.00	2,100 shares per year on a cumulative basis
October 1, 1973	20,000	7.00	10,000 shares to October 1, 1972, 10,000 shares after October 1, 1972 on a noncumulative basis
October 1, 1974	15,000	7.00	5,000 shares per year on a noncumulative basis
October 1, 1976	3,500	7.00	700 shares per year on a noncumulative basis
October 1, 1976	<u>2,500</u>	<u>7.00</u>	<u>500 shares per year on a noncumulative basis</u>
	<u>73,600</u>		

Options for 109,800 shares may be exercised during 1972.

## Note 8 – Income Taxes

At December 31, 1971 Captain International Industries Inc. and Captain International Industries (U.K.) Ltd. had loss carry forwards of approximately \$2,106,000 available as off-sets against taxable income in the future. If not used \$207,000 of these carry forwards will expire in 1972 and the balance will expire during the years 1973 to 1976. Captain International Industries Ltd. and each of its subsidiaries file individual tax returns in the country in which they are incorporated. Captain International Industries Ltd. and Captain Hotel Systems N.V. had income for the year ended December 31, 1971 which resulted in an income tax expense of \$166,317, and for the year ended December 31, 1970 Captain International Industries Ltd. had income which resulted in income tax expense of \$83,935. As a result of these two companies using available operating loss carry forwards income tax savings of \$156,141 in 1971 and \$83,935 in 1970 have been reflected in those years as extraordinary items of income.

## Note 9 – Extraordinary Items

	1971	1970
Exchange loss (a)	\$ —	\$ 42,026
SEC Registration costs (b)	—	60,676
	<u>—</u>	<u>102,702</u>
Recovery of income taxes as a result of using available losses carried forward – Note 8	<u>156,141</u>	<u>83,935</u>
	<u>\$ 156,141</u>	<u>\$ (18,767)</u>

(a) The exchange loss reflects the effect upon consolidation of freeing the Canadian dollar during 1970.

(b) This amount represents the costs incurred in connection with registration of securities pursuant to Section 12 (g) of the Securities Exchange Act of 1934.

## Note 10 – Income per Common Share

Basic income per share has been calculated using the weighted average of common shares outstanding during the year.

If all the stock warrants and options outstanding at December 31, 1971 had been converted as at January 1, 1971, and the proceeds used to purchase common shares of the Company at the average market price during 1971, the fully diluted income per share figures for the year ended December 31, 1971 would be:

Loss before extraordinary item	\$ (.024)
Extraordinary item	\$ .053
Net income for the year	\$ .028

If the above mentioned proceeds, applying an appropriate rate of return, were taken into income instead of being used to purchase common shares of the Company, no dilution would result.

## Note 11 – Commitments

### a) Lease Commitments

The Companies lease manufacturing and office space at annual rentals of approximately \$65,000 a year, plus taxes, insurance and maintenance and repairs, under leases expiring in 1975. The Company has the option of purchasing a plant facility in 1973 for a consideration of \$210,000.

### b) Employment Contracts

The Company and its United States subsidiary entered into contracts with two key employees of the subsidiary, Vice President Operations and Vice President Marketing. The contracts, which commenced February 1, 1970, extend for 5 years and provide for stock options (as set out in Note 7) salaries and commissions.

During the year, the Company paid remuneration of \$10,500 to Directors.

# Captain International Industries Ltd.

## WHERE TO MEET YOUR "BELL CAPTAIN"

### UNITED STATES

#### CALIFORNIA

Del Monte Inn, Monterey  
Rodeway Inn, San Francisco

#### DISTRICT OF COLUMBIA

Georgetown Manor, Washington

#### FLORIDA

Causeway Inn, Tampa  
Dupont Plaza, Miami  
Howard Johnson's Motor Lodge, Punta Gorda  
Howard Johnson's North Miami  
Quality Court West, Orlando  
Ramada Inn South, Orlando  
Holiday Inn, Lake Placid  
Dutch Inn Disneyworld, Orlando  
Sheraton Jetport, Orlando  
Gold Key Inn, Orlando  
Villa Sheraton, Fort Myers  
Hilton Inn West, Orlando

#### GEORGIA

Marriott Atlanta

#### HAWAII

Cinerama Coral Reef, Honolulu  
Downtowner Waikiki, Honolulu  
Travelodge Ala Moana, Honolulu  
Travelodge Hilo, Hilo  
Hawaiian Regent Hotel, Honolulu

#### IOWA

Howard Johnson's, Cedar Rapids

#### LOUISIANA

Downtowner Du Vieux Carre, New Orleans

#### MARYLAND

Hilltop Motor Inn, Baltimore  
Prince George Inn, Hillcrest Heights

#### MINNESOTA

North Star Inn, Minneapolis

#### MISSOURI

Chase Park Plaza, St. Louis  
St. Louis Marriott, St. Louis

#### NEVADA

Cal-Neva Lodge, Lake Tahoe  
Downtowner Motor Inn, Carson City

#### NEW JERSEY

Travelodge Franklin Mall, Somerset  
Union Motor Lodge, Union  
Clinton Inn Motor Hotel, Tenafly

#### NEW YORK

Camelot Inn, Poughkeepsie  
Cornell School of Hotel Administration, Ithaca

#### NORTH CAROLINA

Dutch Inn, Hendersonville

#### OHIO

Avalon Inn, Warren

#### OREGON

Rodeway Inn, Portland  
Kah-Nee-Ta Lodge, Warm Springs

#### PENNSYLVANIA

Bristol Motor Inn, Bristol  
Hilton Inn of Scranton, Scranton  
Hotel Bethlehem, Bethlehem  
Martinique, Philadelphia  
Latham Hotel, Philadelphia  
Walber's-on-the-Delaware, Essington  
Philadelphia Marriott, Philadelphia

#### SOUTH CAROLINA

Hilton Head Inn, Hilton Head Island  
Heart of Charleston, Charleston  
King Charles, Charleston

#### TENNESSEE

King of the Road Hotel, Nashville  
Tennessee Motor Lodge, Kingsport

#### VIRGINIA

Dutch Inn, Collinsville  
Sunburst Motor Lodge, Danville

#### WISCONSIN

Chanticleer Inn, Eagle River  
Chula Vista, Wisconsin Dells  
Dartmoor Inn, Fon du lac  
Downtown Motor Inn, Rhinelander  
Executive Inn, Sheboygan  
Howard Johnson's Motor Lodge, Oshkosh  
Pioneer Inn, Oshkosh  
Safari Hotel, Milwaukee

*(and its subsidiaries)*

## **PUERTO RICO**

La Concha Hotel, San Juan  
Condado "55", San Juan  
El Hato Rey Hotel, Hato Rey  
Caribe Hilton, San Juan  
Mayaguez Hilton, Mayaguez  
Regency Hotel, San Juan  
Hotel Pierre, Santurce  
San Jeronimo Hotel, San Juan

## **CANADA**

Skyline Hotel, St. John's, Nfld.

## **CARIBBEAN**

Curacao Hilton, Netherlands Antilles  
Trinidad Hilton, Port of Spain  
Virgin Isle Hilton, St. Thomas  
Intercontinental Hotel, Netherlands Antilles

## **MEXICO**

Bahia Del Rincon, Baja, Mexico

## **UNITED KINGDOM AND EIRE**

Grosvenor House Hotel, Sheffield, England  
Esso Motor Hotel, Edinburgh, Scotland  
Esso Motor Hotel, Maidenhead, England  
Warren Lodge Hotel, Shepperton, England  
Intercontinental Portman Hotel, London, England

## **UNDER CONSTRUCTION:**

### **UNITED STATES**

**CALIFORNIA**  
Marriott Hotel, Los Angeles

**FLORIDA**  
Carolando Inn, Orlando  
La Quinta Hotel, Orlando  
Princess Inn, Orlando

**ILLINOIS**  
Marriott Hotel, Chicago

**LOUISIANA**  
Marriott Hotel, New Orleans

**PENNSYLVANIA**  
Stouffers Inn, Valley Forge

**VIRGINIA**  
Stouffers Inn, Arlington

## **EUROPE**

Esso Motor Inn, Amsterdam, Netherlands  
Zurich Hilton, Switzerland  
Howard Johnson's, Amsterdam, Netherlands  
Mainz Hilton, Mainz, Germany  
Okura Hotel, Amsterdam, Netherlands  
Promenade Hotel, The Hague, Netherlands  
Rijn Hotel, Amsterdam, Netherlands  
Rotterdam Hilton, Netherlands  
Schipol Frommer Hotel, Amsterdam, Netherlands  
Amsterdam Hilton, Amsterdam, Netherlands  
PLM St. Jacque, Paris, France  
Meridian Hotel, Paris, France  
Club Mediterranee, Paris, France  
Sofitel Hotel, Toulouse, France  
Hotel Nova Park, Zurich, Switzerland  
Hotel Mediterranee, Geneva, Switzerland  
Apollo Hotel, Toulouse, France  
Hotel Steirehuf, Graz, Switzerland  
Le Choisneul, Paris, France  
Orly Hilton, Paris, France  
Munich Hilton, Munich, Germany  
Caransa Hotel, Amsterdam, Netherlands

## **FAR EAST**

Hyatt Singapore Hotel, Republic of Singapore  
Hong Kong Hyatt, Kowloon  
Guam Hilton, Agana, Guam

## **UNITED KINGDOM**

Penta Hotel, London, England  
Lex Hyatt Hotel, London, England  
Tara Hotel, London, England  
Kensington Hilton, London, England

## **EUROPE**

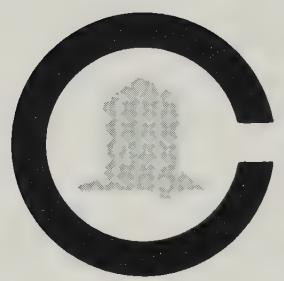
Schiphol Hilton, Amsterdam, Netherlands  
Lendi Hotel, Brussels, Belgium

## **FAR EAST**

Excelsior Hotel, Hong Kong  
Kuala Lumpur Hilton, Kuala Lumpur, Malaysia

## **AUSTRALIA**

Sydney Hilton, Sydney  
Melbourne Hilton, Melbourne



**AR19**

April 2, 1973

FOR IMMEDIATE RELEASE:

Captain International Industries Ltd. of Vancouver announced today that although audited figures are not yet available, preliminary reports indicate that for the fiscal year ended December 31, 1972, it will show a consolidated net loss of approximately \$1,650,000.00 Canadian.

On the basis of the company's common shares outstanding at year end, the estimated loss for 1972 amounts to about \$.54 Canadian per share.

Based on such preliminary reports, the company's audited balance sheet as at December 31, 1972, will probably show a net deficit in the shareholders' equity account of approximately \$315,000.00 Canadian or about \$.10 Canadian per share.

Gross revenues for the year 1972 amounted to approximately \$2,600,000.00.

G. Arnold Armstrong, president, said the unexpectedly low revenues and the loss incurred were mainly due to the inability of the company to complete installations by reason of delays in hotel construction, costs incurred in the continuing development and introduction of its products and establishing a backlog of orders for future delivery.

The company projects gross revenues of in excess of four million dollars in the first six month period of 1973. To date the gross revenues are in line with this projection.

For Further Information:

Duncan Holmes  
Ray Torresan & Associates (Int'l) Ltd.  
#920 - 1055 West Hastings Street  
Vancouver 1, B.C.  
685-1271



AR19

Corp report

# Captain International Industries Ltd.



**CAPTAIN INTERNATIONAL INDUSTRIES LTD.**  
Suite 440 - 890 West Pender Street, Vancouver 1, B.C.  
Telephone (604) 682-6861  
Telex: 507-874

**CAPTAIN INTERNATIONAL INDUSTRIES INC.**  
Commerce Drive, Montgomeryville,  
Pennsylvania, 18936 U.S.A.  
Telephone: (215) 643-2660  
Telex: 84-6346

**CAPTAIN HOTEL SYSTEMS N.V.**  
N.D.S.M. Gebouw, Klaprozenweg 75,  
Amsterdam-Noord, Netherlands.  
Telephone: 020-272225  
Telex: 16121

## INTERIM REPORT

For the six-month period ending June 30, 1971

## TO THE SHAREHOLDERS:

For the six month period ending June 30th, 1971, your Company has made excellent gains in three key categories, namely sales, orders booked for the year and net income.

Inasmuch as Captain Hotel Systems N.V. became a wholly-owned subsidiary of your Company during the present reporting period, our financial statements for the first six months of both 1971 and 1970 have been consolidated to reflect this change of status. Total revenues for the first half of 1971 amounted to \$1,473,295 as compared with a restated \$1,020,318 for the same period in 1970. Net income for the period rose to \$60,240 as compared with a restated \$6,943 for the previous year.

Orders booked by your Company in June alone of this year equalled the orders booked during the whole of 1970. In order to meet the increasing world-wide demand for our products, our production rate was doubled during the first half of 1971 and will be doubled again by October of this year.

Negotiations are presently in progress to lease manufacturing facilities triple the size of our present plant at Montgomeryville with sufficient excess land to double the new facility in the future.

In addition, a study is in the course of being completed for the purpose of establishing a manufacturing facility in Europe.

Our sales in Europe have been outstanding. We have completed the installation of our products at the Toulouse Sofitel and over the next few months complete installations will be made in two prestigious hotels in Paris, the Rothschild-owned P.L.M. Hotel (798 rooms) and the Club Mediterranean Hotel (342 rooms). The first installation in Austria was at the Hotel Steirhof, Graz, and we will be completing an installation in the Hotel Mediteranee in Geneva, Switzerland, in September of this year.

Hilton International has announced plans to build a second hotel in London, England, the Kensington Hilton (600 rooms) and a new Hotel in Amsterdam, the Schipol Hilton (200 rooms). Both these hotels will have complete installations of "Bell Captain Service Centres" with "Continental Breakfast Units" and "Captain Communicator Systems".

In the United Kingdom, negotiations are in progress for our equipment with the European Hotel Corporation, Grand Metropolitan Hotels, Rank Hotels, British Transport Hotels and Lex Hotels, and we expect to receive firm orders for installations of our equipment from these chains over the next few months.

Negotiations concerning installations in Japan, Hong Kong, Singapore, Australia, Guam and Kuala Lampur are

now being completed.

Our research team in Montgomeryville, Pennsylvania, has developed a new "Room Management System" and a "Bell Captain Mini-Bar". The first installation of the "Room Management System" has been completed in the Atlanta Marriott Hotel and is an unqualified success. Orders have already been received for 1,000 "Bell Captain Mini-Bars" despite the fact that they are not yet in production.

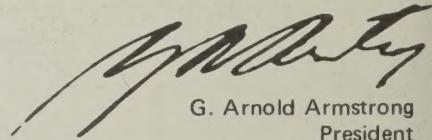
Washington, D.C. and Oregon have now joined the list of states which permit the sale of liquor through our machines and we expect to receive similar permission from several other major states in the near future.

Finally, I am pleased to announce that Mr. Roel Van Dijk has been appointed Chairman of the Board of your Company. Mr. Van Dijk is a former Managing Director of N.V. Philips of Eindhoven, Netherlands, the third largest non-U.S. corporation in the world.

Also joining our Board of Directors is Mr. Basil Irwin, Managing Director of the Ionian Bank Limited, London, England; Mr. W. Ch. J.M. van Lanschot, a partner in the van Lanschot Bank, Eindhoven, Netherlands; and Mr. Harold Genser, of Winnipeg, Manitoba, a well-known Canadian businessman.

The complexities of tax laws, duties and foreign exchange on an international level require the counsel of persons accustomed to dealing on an international basis, and we, therefore, are most happy that Messrs. Van Dijk, van Lanschot, Irwin and Genser have agreed to serve on our Board.

Respectfully submitted,



G. Arnold Armstrong  
President

# Captain International Industries Ltd.

(AND ITS WHOLLY-OWNED SUBSIDIARIES  
**CAPTAIN INTERNATIONAL INDUSTRIES INC.**  
 AND **CAPTAIN HOTEL SYSTEMS N.V.**)

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the six months ended JUNE 30, 1971

(prepared without audit)

	<u>1971</u>	<u>1970</u>
<b>Source of Funds:</b>		
Net income for the period	\$ 60,204	\$ 6,943
Add — portion of net income purchased during the period	3,393	(127)
— expenses not requiring an outlay of funds — depreciation and amortization	17,152	22,987
	80,749	29,803
Sales of shares and warrants	8,700	4,000
Decrease in equipment on lease	82,333	148,910
Increase in long-term debt	7,686	303,738
Increase in deferred interest income	—	140,267
	179,468	626,718
<b>Application of Funds:</b>		
Acquisition of minority interest in subsidiary company	50,000	—
Reduction in deferred interest income	21,978	—
<b>Additions to:</b>		
Lease-sale contracts receivable	68,575	586,068
Fixed assets	58,345	11,502
Patents	3,135	7,124
Research and development costs and deferred expenses	85,759	38,755
	287,792	643,449
<b>Decrease in working capital</b>	<u>\$ 108,324</u>	<u>\$ 16,731</u>
<b>Working capital:</b>		
January 1	\$ 757,824	\$ 523,817
June 30	649,500	507,086

Please refer to the note accompanying these statements.

## CONSOLIDATED STATEMENT OF EARNINGS

for the six months ended JUNE 30, 1971

(prepared without audit)

	For six months ended:	
	June 1971	June 1970
<b>Income:</b>		
Net Sales	\$ 1,356,069	\$ 891,280
Interest	65,651	51,107
Rentals	50,076	44,138
Franchise fees	—	29,952
Promotional	1,499	3,841
	1,473,295	1,020,318 ✓
<b>Cost and expenses:</b>		
Cost of sales and cost relating to rentals	893,770	559,134
Selling	187,237	183,627
Customer service and warranty	27,540	53,971
Administrative and general	189,723	166,441
Interest, principally long-term	92,412	25,372
Research and engineering	18,755	17,694
U.S. — Canadian currency exchange adjustment	—	7,263
	1,409,437	1,013,502
Income before taxes on income and extraordinary items	63,858	6,816
Provision for taxes on income	27,099	1,471
Income before extraordinary items	36,759 ✓	5,345 ✓
<b>Extraordinary items:</b>		
Income tax reduction arising from utilization of loss carry forward	26,838	1,471
Portion of net income purchased during period	(3,393)	127
	23,445	1,598
<b>Net income for the period</b>	<u>\$ 60,204 ✓</u>	<u>\$ 6,943 ✓</u>
<b>Number of shares outstanding</b>	<u>2,852,800</u>	<u>2,849,825</u>
<b>Income per common share:</b>		
Before extraordinary item	1.29¢	.19¢
Extraordinary item	.82¢	.05¢
<b>Net income</b>	2.11¢	.24¢

Please refer to the note accompanying these statements.

## NOTES AT JUNE 30, 1971

### Note 1 - Accounting Principles

#### a) Principles of Consolidation

The consolidated statement of earnings and the consolidated statement of source and application of funds include the accounts of the Company and its wholly-owned subsidiaries, Captain International Industries, Inc. and Captain Hotel Systems, N.V. Inter-company profits and transactions have been eliminated.

The accounts of the U.S. subsidiary for the six months ended June 30, 1971 are stated in Canadian dollars at \$1.01 and the Netherlands subsidiary in Canadian dollars at \$.2898, the current rates of exchange. For the six months ended June 30, 1970, the rates of exchanges were \$1.04 and \$.290 respectively.

#### b) Accounting Policies

The Company has financed its equipment leasing activities under various terms and instruments. All such transactions have been accounted for as borrowings, which are to be liquidated by the application of funds received from equipment leases.

Revenues under non-cancellable leases with purchase options are accounted for as sales in the period which the equipment is placed in service at the present value of the payments to be received under the lease and option. Leases which are terminable by the lessor and leases which do not include bargain purchase options are accounted for under the operating method, whereby income is recognized over the term life of the lease.

During the six month period ended June 30, 1971 the Company acquired the remaining 50% interest in Captain Hotel Systems N.V. for a combination of 92,500 shares of its common stock together with \$50,000.00. The acquisition has been accounted for as a pooling of interest, and accordingly the consolidated statement of earnings for the six months ended June 30, 1970 has been restated as follows:

#### Net earnings:

As previously reported, adjusted per Note 1(c).	\$ 10,339
Acquisition accounted for as a pooling of interest for period.	<u>(3,396)</u>
	\$ 6,943

The consolidated statement of source and application of funds for the six months ended June 30, 1970 has also been restated to reflect the pooling of interests.

#### c) Accounting change

During 1970 the Company began capitalizing certain research and development costs. The effect of this change was to reduce the previously reported loss for the six months ended June 30, 1970 by \$38,755.00 to produce net income for the period, before pooling adjustments, of \$10,339.00 (Note 1(b)).

#### Revenues:

As previously reported,	\$ 929,749
Acquisition accounted for as a pooling of interest for period.	<u>90,569</u>
	\$1,020,318